

Auditor's Annual Report on the Cheshire and Merseyside Clinical Commissioning Groups:

NHS Cheshire CCG
NHS Halton CCG
NHS Knowsley CCG
NHS Liverpool CCG
NHS Southport and Formby CCG
NHS South Sefton CCG
NHS St Helens CCG
NHS Warrington CCG
NHS Wirral CCG

For the period 1 April to 30 June 2022

29 June 2023



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We are required under Section 21(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Securing economy, efficiency and effectiveness in the CCGs' use of resources

All Clinical Commissioning Groups are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The responsibilities of the CCGs are set out in Appendix A.

The Code of Audit Practice requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, covering the following three areas:



Financial Sustainability

Arrangements for ensuring the CCGs can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term - (3-5 years).



Governance

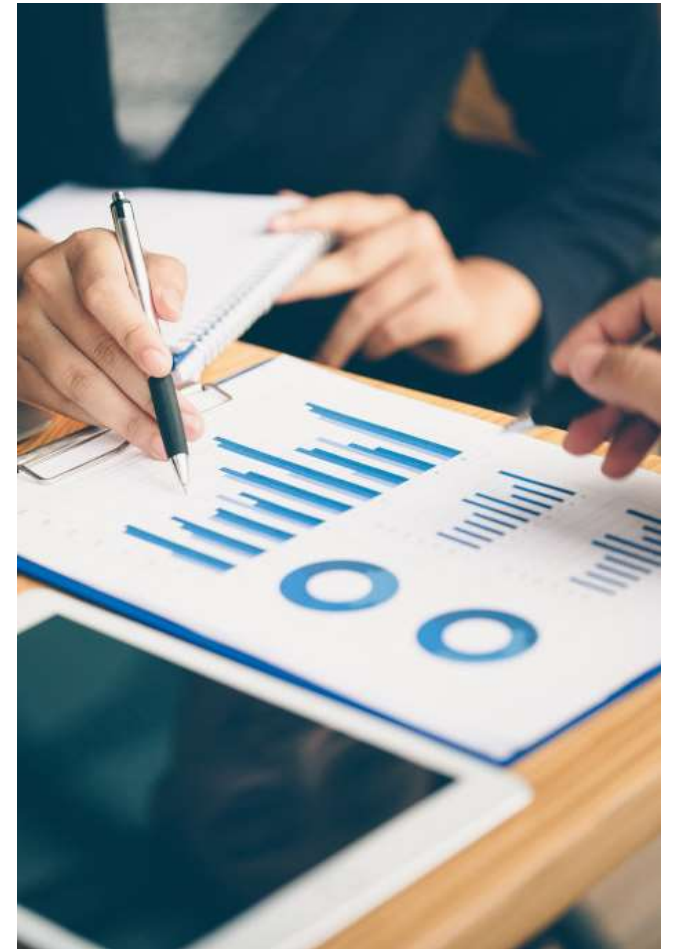
Arrangements for ensuring that the CCGs make appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the CCGs make decisions based on appropriate information.












Improving economy, efficiency and effectiveness




Arrangements for improving the way the CCGs deliver their services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

For bodies that demise part way through a financial year, such as the nine CCGs in Cheshire and Merseyside, auditors are not required to issue a full commentary on arrangements. However, auditors are still required to report any significant weaknesses in the arrangements of each CCG, should they come to their attention. Our overall conclusions are summarised overleaf.



Value for money arrangements

Criteria	Risk assessment	2021/22 auditor judgement	1 April – 30 June 22 auditor judgement	Direction of travel
Financial sustainability	No risks of significant weakness identified	 No significant weakness in arrangements identified but improvement recommendations made in respect of Cheshire, Warrington and Halton CCGs	 No significant weakness in arrangements identified	
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified but improvement recommendations made in respect of South Sefton CCG and Southport & Formby CCG	 No significant weaknesses in arrangements identified.	
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 No significant weaknesses in arrangements identified but improvement recommendations made in respect of South Sefton CCG and Southport & Formby CCG	 No significant weakness in arrangements identified	

-  No significant weaknesses in arrangements identified or improvement recommendation made.
-  No significant weaknesses in arrangements identified, but improvement recommendations made.
-  Significant weaknesses in arrangements identified and key recommendations made.



The range of recommendations that external auditors can make is explained in Appendix B

Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body

We did not issue any Statutory recommendations for any of the CCGs in Cheshire and Merseyside.

Section 30 referral

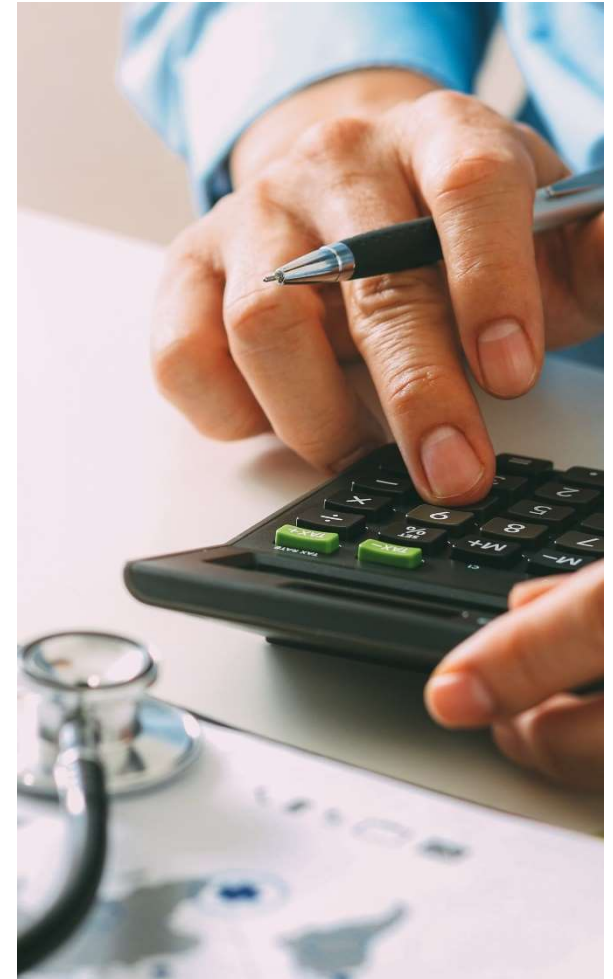
Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a Clinical Commissioning Group has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate

We issued a Section 30 referral in respect of NHS Wirral CCG following an adjustment to the financial statements that resulted in an increase in reported expenditure and a breach of statutory duties.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.



Follow-up of previous recommendations

Recommendation	Type of recommendation	CCG	Progress to date	Addressed?
<p>1 Governance NHS Cheshire and Merseyside ICB should ensure sufficient capacity in the place based finance team for Southport and Formby and South Sefton.</p>	Improvement	South Sefton/ Southport & Formby	<p>Southport and Formby and South Sefton have become one “Place” in the ICB structure, Sefton Place. The executive agreed a standard structure for Place finance where each place has an Associate Director of Finance for Place who in turn is supported by a local Head of Finance (not yet appointed). Transactional finance is currently transitioning over April, May and June 2022 from local finance teams to newly formed central contracting, primary care, continuing care, corporate and financial service teams.</p>	y
<p>2 Improving economy, efficiency and effectiveness NHS Cheshire and Merseyside ICB should ensure a system wide Procurement Policy is adopted.</p>	Improvement	South Sefton/ Southport & Formby	<p>On commencement, the ICB adopted policies inherited from NHS Cheshire CCG. A contract repository of all ongoing contracts was compiled and from that repository a procurement plan was developed which was approved by the Executive Committee and this plan conformed to the Scheme of Reservation and Delegation. A revised procurement policy was approved on 16 May 2023</p>	y
<p>3 Financial Sustainability We recommend that the CCG work with the ICB to inform then where they would normally make local adjustments to a baseline budget</p>	Improvement	Cheshire / Halton / Warrington	<p>There were no unfunded adjustments to baselines in the financial period as there was a recurrent budgeted reserve available to cover these costs and the ICB is aware from the planning process what reserves were to be used for. A number of non-recurrent investments were made within contract payments funded from national monies distributed by the ICB.</p>	y

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the CCG's financial statements are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation

Audit opinion on the financial statements

We gave unqualified opinions on the financial statements of all CCGs with the exception of NHS Wirral CCG on 29 June 2023. The opinion of NHS Wirral CCG included a qualification in respect of the regularity of expenditure as the CCG breached its Revenue Resource Limit for the period.

Other opinion/key findings

The audit opinion on the financial statements of all CCGs includes an emphasis of matter paragraph relating to the demise of the CCGs.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was reported to the Audit Committee of NHS Cheshire and Merseyside Integrated Care Board on 27 June 2023.

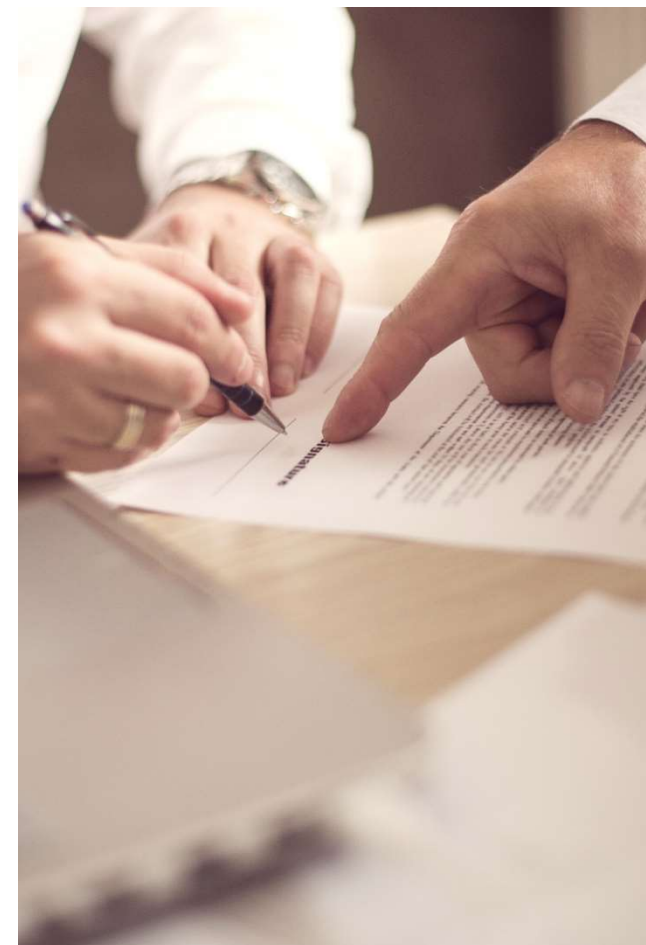
Preparation of the financial statements

Draft financial statements were provided in line with the national deadline. Working papers to support block contract expenditure, pooled budgets and prescribing were not prepared along with the financial statements and were not fully available for audit until May 2023.

Issues arising from the audit of the financial statements:

The key issues arising were:

- Prior period adjustment made in the financial statements of NHS Wirral CCG which has increased expenditure in the part-period by £2,593k. This resulted in the CCG breaching its financial targets
- Prior period adjustment made in the financial statements of NHS Liverpool CCG to reflect the net accounting principle for pooled budget and other hosting arrangements. The adjustment did not impact the financial performance of the CCG



Opinion on regularity and Whole of Government Accounts work



Opinion on regularity

Auditors are required by section 21 of the Local Audit and Accountability Act 2014 to include in the opinion their view on the regularity of each CCG's income and expenditure, that is to say, that money provided by Parliament has been expended for the purposes intended by Parliament; resources authorised by Parliament to be used have been used for the purposes in relation to which the use was authorised; and that the financial transactions of the group are in accordance with any authority which is relevant to the transactions.

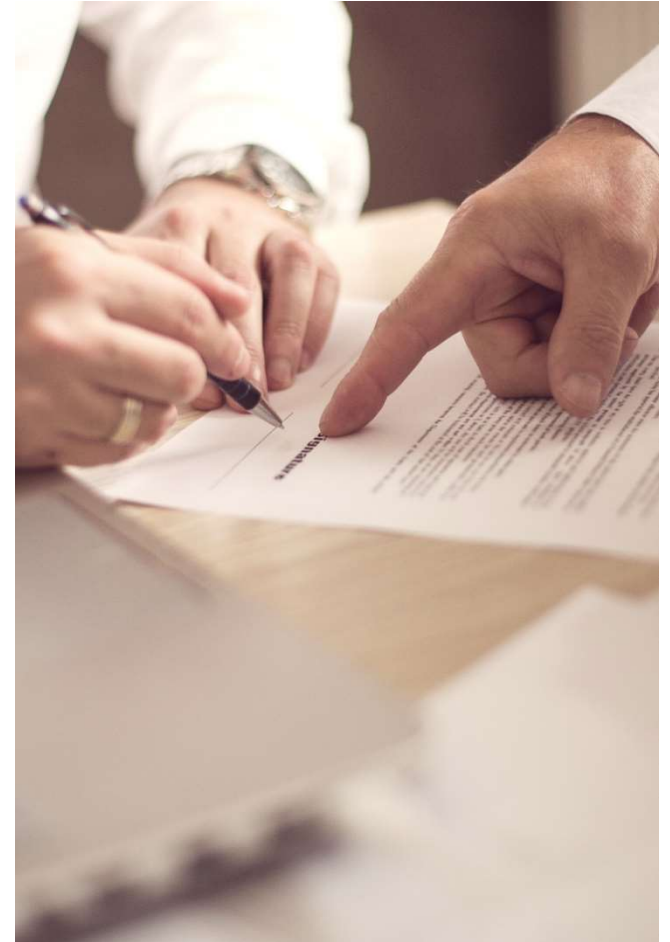
We anticipate issuing our regularity opinion on completion of the audits. Our regularity work across all nine of the CCGs has not identified any issues to report to the Audit Committee with the exception of NHS Wirral CCG. The regularity opinion for NHS Wirral CCG has been qualified following an adjustment to the financial statements leading to a breach of revenue resource limit for the period.

Whole of Government Accounts

To support the audit of the NHS England group accounts and the Whole of Government Accounts, we are required to examine and report on the consistency of each CCG's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

In the NAO group audit instructions, NHS Liverpool CCG was selected as a sampled component and is subject to a greater level of WGA specified procedures compared to the remaining 8 CCGs which are non-sampled components.

Our work remains on-going and has not identified any issues to date. We will update the Audit Committee on 27 June should any matters arise.



Appendices

Appendix A – Responsibilities of the CCGs

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income.

The Accountable Officer is required to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the CCG's are informed of the intention for dissolution without transfer of services or function to another entity. A public sector organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to deliver services for the foreseeable future, usually regarded as at least the next 12 months.

The CCG's are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the CCG’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the CCG under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken to address the weakness. We have defined these recommendations as ‘key recommendations’. Following the demise of CCGs, key recommendations are reported to the successor Integrated Care Board.	No	N/a
Improvement	These recommendations, if implemented should improve the arrangements in place at each CCG, but are not a result of identifying significant weaknesses in the CCG arrangements. Improvement recommendations may have been made as part of the auditor’s work on value for money arrangements for 2021/22. Given the demise of CCGs, auditors will not seek to make improvement recommendations as part of their value for money arrangements work on the 1 April – 30 June 2022 period.	No	N/a

